

Allmerica exits life insurance

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WORCESTER — Allmerica Financial Corp. is getting out of the life insurance business to focus on property and casualty insurance.

The company is closing its broker-dealer operation, VeraVest Investments, Inc., which sold its life insurance, annuity and retirement products. Its third quarter earnings include a related charge of \$7.2 million.

The company expects to incur an additional pre-tax charge of approximately \$25 million to \$30 million for severance and other expenses related to this decision, primarily in the fourth quarter, and to a lesser extent in the first quarter of 2004.

The move will cost 335 jobs. About half of the layoffs will be at the company's Worcester headquarters, with the rest coming in offices around the country.

Chief Executive Frederick Eppinger told the Worcester Telegram and Gazette that he hopes to find new jobs in the company for at least some of the Worcester employees.

The announcement, made in Allmerica's third-quarter earnings report, ends a yearlong effort to sell other companies' life and annuity products. Allmerica stopped selling its own life insurance products last October after a prolonged stock market slide and turned its life sales over to broker/dealers.

"I have a lot of mixed feelings about the decision," Eppinger told the newspaper. "I applaud the actions of the employees who tried to make it work but it's hard to start from scratch. What it does do is ensure that we will be focused on our decision to be a world-class property and casualty insurer."

The decision brings a close to Allmerica's 159-year history in the life insurance business. The company began in 1844 as the State Mutual Life Insurance Company of Worcester.

In its third-quarter results, Allmerica reported net income of \$11.4 million. That compared to a net loss of \$313.4 million in the third quarter of last year, a result that led to the resignation of longtime CEO John F. O'Brien.

"Overall, we are pleased with our continued progress," said Eppinger.

"The decision to cease operations of our broker-dealer followed a great deal of careful analysis and deliberation. Ultimately, we concluded that the broker-dealer would not generate sufficient profitability in the foreseeable future to justify our continued investment. This will enable us to focus on the profitable growth of our regional property and casualty companies." □